How Thales Materiality Analysis was conducted?

The Thales ESG Strategy is defined from the materiality analysis. This analysis allows Thales to identify major materiality stakes and to rank them according to their importance for our stakeholders and to their influence on the company’s performance.

This materiality analysis must take into consideration the fact that Thales is a dual company – both on defense and civil markets – that has a presence on 56 countries around the world.

Through this analysis, we aim to identify which are the value creation processes and how they impact our business over the long term.

The role of our stakeholders in the Materiality analysis

Thales is fully aware of these societal changes and the new responsibilities that accrue to organizations like ours. For more than 15 years, Thales has developed a policy of corporate responsibility and engagement with respect to all the company's stakeholders.

As stated Patrice Caine, Chairman and CEO of Thales, “In times of uncertainty, it is more important than ever to have convictions. Our conviction is that Thales’s success, based on performance, innovation and responsibility, can only be achieved through positive, strong, sustainable interactions with all our stakeholders”.

These interactions are various and address all kind of stakeholders:

- **Investors (see page 180 of the 2019 Universal Registration Document)**
  - Regular meetings between Thales executives and institutional investors are held in Europe and North America, typically as part of roadshows, Capital Markets Days or visits to operational sites. These include a more detailed presentation of the Group’s business activities and strategy;
  - Thales also regularly exchanges information on its corporate social responsibility policy with the Socially Responsible Investor (SRI) community. These reports cover corporate, social, environmental, governance and international trade issues, especially regarding anti-corruption measures and control over the export of defence equipment and technologies or dual-use goods and technologies.

- **Professional, international and non-governmental organizations (see page 144 of the 2019 Universal Registration Document)**
  Thales works closely with numerous bodies, including:
  - The United Nations, and in particular the United Nations Global Compact. In 2020, for the ninth year in a row, Thales achieved the Advanced level of the Global Compact differentiation programme which, with its 21 specific criteria, is the highest reporting and performance standard for responsible development;
  - the Organisation for Economic Cooperation and Development (OECD); the European Commission; the International Chamber of Commerce (ICC);...
The US-based ethics and integrity body Defense Industry Initiative (DII); various forums set up by the main British companies in the defence industry, including UK National Defence Business Ethics Forum, ADS, Supply Chain 21 Task Force and Institute of Business Ethics; the Ethics Network Australian Defence Industry (ENADI); the Observatoire sur la Responsabilité Sociétale des Entreprises (Centre for Corporate Social Responsibility (ORSE));

In December 2019, Thales joined Entreprises pour les Droits de L’Homme (Businesses for Human Rights), an association which offers a platform where international companies can exchange, work together and propose solutions to better incorporate Human Rights into corporate policies and practices by implementing vigilance measures;

The Group is a founding member of the International Forum on Business Ethical Conduct (IFBEC), whose last worldwide forum took place in Washington in October 2019;

In November 2019, the company took part in the UN Forum on Business and Human Rights in Geneva for the second consecutive year. This is the world’s largest annual gathering on business and Human Rights with more than 2,000 participants from government, business, community groups and civil society, law firms, investor organisations, UN bodies, national Human Rights institutions, trade unions, academia and the media.

- **Suppliers (see page 147 of the 2019 Universal Registration Document)**
  
  In France, Thales commitment was recognized in 2012 when it received the “Responsible Supplier Relations and Procurement Label” from Le Médiateur des Entreprises (the national French business mediation department) and the Conseil National des Achats (French purchasing board). Thales has received this label for the 2012 - 2015 and 2015 - 2018 periods and applied for renewal in 2019;

  In 2019, the Group increased its support for SMEs. In particular, this resulted in the signature by Patrice Caine, Chairman and Chief Executive Officer, Thales, of the new Action PME agreement of the Ministry for the Armed Forces. This pact aims in particular to improve information for SMEs, develop experiments, maintain partnerships forged during upstream studies, provide support with exports and finally promote start-ups;

  On a yearly basis Thales assessed its relations with nearly 330 of its French SME and MSB suppliers using a Pacte PME developed survey. Proving that it listens attentively to its suppliers, Thales committed to improving any areas identified as wanting.

- **Customers (see page 147 of the 2019 Universal Registration Document)**

  Thales has set up a global network of 250 Key Account Managers (KAM) dedicated to managing customer relations, covering all the different areas and activities of the Group;

  Thales schedules a satisfaction survey with a frequency of 18 months to 2 years with the involvement of a network of independent consultants across a hundred countries to meet customers and take stock of relations.
- **Employees (see page 116 of the 2019 Universal Registration Document)**
  - In all areas of common interest, Thales promotes cooperation with its employees and their representatives, and provides them with high-quality information, in particular by supporting and encouraging employee relations;
  - Thales has a European Works Council made up of 39 members from the 13 main European countries, representing 61,779 employees in Europe;
  - The efforts the Group has made to enhance its employer brand have been rewarded by various rankings for companies preferred by employees and young graduates in France, who rank Thales among the most attractive companies.

**Thales methodology (see page 112 of the 2019 Universal Registration Document)**

In 2018, to identify the main material risks that would also be published in the Non-Financial Performance Statement, the Group conducted a risk identification and risk mapping exercise with the participation of the main Corporate support functions¹ and the assistance of an external consulting firm (EY).

In 2019, this working group met again to assess the impact of the change in the Group’s scope on the six risks selected for the Non-Financial Performance Statement after the acquisition of Gemalto in April 2019. After analysing these risks, the working group decided to keep them, since the change in scope had not generated any significant change in the typology of CSR risks to which Thales is exposed.

The six risks selected on that basis relate to:

- compliance with rules of ethical business conduct (especially the fight against corruption and influence peddling),
- environmental impacts of the Group’s activities,
- diversity and inclusion,
- protection of the health and safety of employees,
- anticipation of environmental standards in product design,
- vigilance concerning supplier compliance with corporate responsibility issues.

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¹ Representatives from the Finance, Health, Safety & Environment, Human Resources, Purchasing, Audit, Risks & Internal Control, Strategy & Marketing, Ethics & Corporate Responsibility, and Communications Departments (Thales Foundation), plus the Company Secretary and corporate management.